GOVERNMENT OF INDIA
PLANNING
LOK SABHA

STARRED QUESTION NO:153
ANSWERED ON:03.08.2005
RECOMMENDATIONS FOR REVIVAL OF SICK PSUs
Chinta Mohan Dr. ;Suman Shri Ramji Lal

Will the Minister of PLANNING be pleased to state:

(a) whether the Planning Commission after mid-term appraisal of the Tenth Five Year Plan has recommended the revival of the sick Public Sector Undertakings;

(b) if so, the details thereof;

(c) whether steps have been taken by the Government to get a detailed report from consultants appointed to look into the viability of those undertakings that can be revived;

(d) if so, the details in this regard;

(e) whether the Government has received list of the sick PSUs that are to be revived;

(f) if so, the details thereof; and

(g) the procedure/norms laid down for this purpose?

Answer

MINISTER OF STATE IN THE MINISTRY OF PLANNING (SHRI M.V.RAJASEKHARAN)

(a) to (g): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (g) OF LOK SABHA STARRED QUESTION NO. 153 REGARDING RECOMMENDATIONS FOR REVIVAL OF SICK PSUS BY DR.CHINTA MOHAN AND SHRI RAMJI LAL SUMAN FOR ANSWER ON 3.8.2005

(a): Yes Sir. In the Mid Term Appraisal of the Tenth Five Year Plan as agreed by the National Development Council (NDC) in its meeting on 27th and 28th June, 2005, the Planning Commission has made a policy recommendation for revival of sick Central Public Sector Undertakings (CPSUs).

(b) to (d): details are given in Annexure A.

(e) & (f): A Ministry-wise list of Sick CPSEs identified for the purpose of making reference to Board for Reconstruction of Public Sector Enterprises (BRPSE) has been prepared. The decision on revival is taken by Government taking into consideration the recommendations of BRPSE on case to case basis. Seventeen Public Sector Enterprises have been cleared by BRPSE for revival/rehabilitation. List is given in Annexure − B.

(g): The procedure/ norms are spelt out in Resolution issued by Department of Public Enterprises on 6th December 2004. A copy of Resolution is at Annexure -C.

Annexure-A

DETAILS IN REGARD TO PART (b) TO (d) OF LS QUESTION NO.153

In considering revival of sick Central Public Sector Enterprises (CPSEs), it is necessary to bear in mind the past experience of failed attempts to rehabilitate several undertakings despite repeated infusion of government funds. Chances of yet another failure must be minimized by putting in position adequate safeguards in the procedure for considering a sick CPSE for rehabilitation. To start with, the CPSE concerned must obtain a report from a professional consultant of repute recommending that is revivable. If the administrative ministry or department consider turnaround to be technically feasible and commercially viable, it should seek the participation of financial institutions in the financial package for the revival. Project appraisal by financial institutions, which would be a pre-requisite for their agreement to participate, would provide a second opinion about the viability of the proposal for revival. In other words, the administrative Ministry should check whether the proposal for revival of a sick CPSE is bankable. The norm in developing a financial package must be that the government takes the responsibility for strengthening the equity base while the financial institutions provide the loans (without the need for government guarantee). The government may also have to bear the burden of waiver of interest

and even the principal amount of outstanding loans, penalties and taxes. Bankability must be a pre-requisite before rehabilitation proposals of sick CPSEs can go forward.

In the course of developing the financial package for rehabilitation, private sector involvement should be sought through transparent means such as inviting expressions of interest. Such a step should be envisaged particularly in those cases in which it is felt that the CPSE would benefit from the technical, managerial and commercial expertise available in the private sector.

Annexure − B

List of PSEs whose revival/rehabilitation proposals have been cleared by BRPSE

(As on 22.7.2005)

S. No.	Name of CPSE	Name of the Ministry/Department
1	Hindustan Salts Ltd.	Department of Heavy Industry
2	Bridge & Roof Co (India) Ltd	Department of Heavy Industry
3	BBJ Construction Co. Ltd	Department of Heavy Industry
4.	Tyre Corporation of India Ltd	Department of Heavy Industry
5	British India Corporation Ltd	Ministry of Textiles
6	National Textiles Corporation Ltd and its subsidiaries	Ministry of Textiles
7	Madras Fertilizers Ltd	Department of Fertilizers
8	HMT Bearings Ltd	Department of Heavy Industry
9	Praga Tools Ltd	Department of Heavy Industry
10	Braithwaite & Company Ltd	Department of Heavy Industry
11	NEPA Ltd	Department of Heavy Industry
12	Richardson & Cruddas Ltd	Department of Heavy Industry
13	Central Inland Water Transport Corporation Ltd	Department of Shipping
14	Tungabhadra Steel Products Ltd	Department of Heavy Industry
15	Bharat Wagon & Engineering Company Ltd	Department of Heavy Industry
16#	Bharat Pumps & Compressors Ltd	Department of Heavy Industry
17#	Hindustan Antibiotics Ltd	Department of Chemicals & Petrochemicals

Considered by BRPSE, but final approval awaited

Annexure - C

RESOLUTION

Whereas the Government of India have committed themselves to having a strong and effective public sector; Whereas they have mandated to undertake strengthening, modernizing, reviving, and restructuring of public sector enterprises; and Whereas Government have decided to establish a Board for Reconstruction of Public Sector Enterprises (BRPSE) to address the above mentioned tasks and advise the Government on strategies, measures and schemes related to them.

2. Now, therefore, the following is resolved:

That there shall be constituted a Board for Reconstruction of Public Sector Enterprises.

2.1 Locus of the Board:

The Board will be located in the Department of Public Enterprises (DPE), the nodal Department of Central Public Sector Enterprises. DPE will provide necessary secretarial assistance to the Board. The establishment cost will be met through appropriate provision in the budget of DPE.

2.2 Composition of the Board:

The Board shall comprise the following:

Dr. Prahlad K.Basu, former Secretary, Ministry of Statistics and Programme Implementation — Chairman

Shri T.S.Vijayaraghavan, former Secretary, Ministries of Petroleum and Natural Gas and Heavy Industries and Public Enterprises — Member

Shri Arvind Pande, former Chairman, Steel Authority of India Limited — Member

Shri Sushil Khanna, Prof. Of Economics and Strategic Management, IIM Calcutta — Member

Secretary to the Government, Department of Expenditure, Ministry of Finance — Member

Secretary to the Government, Department of Disinvestment, Ministry of Finance — Member

Secretary to the Government, Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises — Member-Secretary

The Chairman and the Members shall hold office till further orders.

2.3 Permanent Invitee:

Chairman, Public Enterprises Selection Board shall be a permanent invitee to the meetings of the BRPSE.

2.4 Special Invitee:

Secretary to the Government in the Administrative Ministry/Department concerned with the PSE being taken up for consideration shall be specially invited to participate in the deliberations.

2.5 The Chairman, the members, and the Permanent and Special Invitees shall work on the Board on part-time basis.

3. Terms of reference:

Following shall be the terms of reference to the Board:

(a) To advise the Government on ways and means for strengthening public sector enterprises in general and making them more autonomous and professional;

(b) To consider restructuring - financial, organizational and business (including diversification, joint ventures, seeking strategic partners, merger and acquisition) - of CPSEs and suggest ways and means for funding such schemes;

(c) To examine the proposals of the administrative Ministries for revival/restructuring of sick/loss making CPSEs for their turn around and to make suitable recommendations related thereto;

(d) To advise the Government on disinvestment/closure/sale, in full or part, in respect of chronically sick/loss making companies which cannot be revived. In respect of such unviable companies the Board would also advise the Government about sources of fund including sale of surplus assets of the enterprise for the

payment of all legitimate dues and compensation to workers and other costs of closure;

(e) To monitor incipient sickness (incurring loss for two consecutive years) in CPSEs; and

(f) To make recommendations and advise the Government on such other matters as may be assigned to it from time to time.

4. Operational Modalities:

In the context of the Board`s functioning and in making recommendations on revival matters, the Board and the Ministries concerned shall observe the following modalities:

(a) All sick CPSEs will be referred to the Board for revival/ restructuring. For the purposes of the Board`s consideration, company will be considered `sick` if it has accumulated losses in any financial year equal to 50% or more of its average net worth during 4 years immediately preceding such financial year and/or a company which is a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

(b) Other loss making CPSEs may be considered by the Board either suo moto or upon reference by the administrative Ministry, if it is of the opinion that revival/restructuring is necessary for checking the incipient sickness (incurring loss for two consecutive years) and making the CPSE profitable, keeping the industry specific business environment in view.

(c) The administrative Ministry/Department would be responsible for preparing a comprehensive package for revival/rehabilitation or closure of loss making CPSEs after due consultations with all the stake holders including the concerned Ministries and the CPSE in a prescribed time frame. The package would necessarily indicate the statutory dues and the suggested manner to liquidate them. The cost of revival/rehabilitation vis-Ã -vis the closure of a CPSE would also be indicated in the package.

(d) The proposal will be referred to the Board through the Department of Public Enterprises. The Department of Public Enterprises, working as secretariat to the Board, will examine the presentability of the proposal and call for further information, as may be necessary and present the case to the Board.

(e) The Board may also take the advice of experts in the relevant field, if considered necessary.

(f) The Board may accept, modify or reject the proposal or remand it to the concerned administrative Ministry for re-examination and re-submission.

(g) The Board may, after consultation with all relevant authorities including Ministries of Finance, and Labour, Banking and other Financial Institutions and State Government(s), as may be necessary, in each case, recommend concessions like waiver of interest, penalties, taxes, loans and other reliefs in statutory dues, etc. as considered appropriate for revival/restructuring of the CPSE through a package which should preferably, with required reliefs and concessions, pass the muster of being `bankable`. The Board would also be expected to indicate the source of funds for the revival/restructuring package.

(h) The Board would be expected to make recommendations within two months from the date of receipt of the complete proposal from the administrative Ministry/Department and will also fix reasonable time limit for implementation of the recommended package.

(i) The recommendations of the Board shall be advisory in nature.

(j) The recommendations of the Board will be communicated by DPE to the concerned administrative Ministry who will process it for obtaining the approval of the Competent Authority.

(k) Cases related to re-structuring will be processed by the concerned Administrative Ministry. The Department of Public Enterprises in consultation with the Department of Disinvestment and Administrative Ministry concerned will decide the agency which will be responsible for processing the recommendations for sale/disinvestment in each case.

(l) The implementation of the recommendations of the Board will essentially be the responsibility of the concerned administrative Ministry/Department, which shall, in consultation with DPE, monitor their timely implementation.

5. The Board shall start operating with immediate effect.

(ADARSH KISHORE)
Secretary to the Government of India

ORDER

Ordered that the Resolution be published in the Gazette of India Extraordinary, Part I – Section1.

Ordered also that a copy of the Resolution be communicated to all Ministries/Departments of the Government of India, Central Public Sector Enterprises and all other concerned organizations/persons.

(ADARSH KISHORE)
Secretary to the Government of India

(DPE Resolution No. 16(25)/2004-Fin dated the 6th December, 2004)